

MONTANA LEGISLATIVE HISTORY

Chapter 577 19 95

Bill H 569 S _____

Original bill & history ☒ c

H. Committee on Taxation

Hearing Date(s) 3/6 ☒ c

3/7 ☒ c

_____ c

_____ c

Date Out _____ c

S. Committee on Taxation

Hearing Date(s) 4/3 ☒ c

4/4 ☒ c

4/6 ☒ c

_____ c

Did this bill originate in an interim committee? ☐ Yes ☐ No

Committee _____

Report _____

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House BILL NO. 569

INTRODUCED BY

ORR

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE ALLOCATION OF THE METAL MINES LICENSE TAX; ALLOCATING A PORTION OF THE TAX TO THE RENEWABLE RESOURCE GRANT AND LOAN PROGRAM ACCOUNT AND TO THE RECLAMATION AND DEVELOPMENT GRANTS PROGRAM ACCOUNT; ANNUALLY ALLOCATING \$240,000 FROM THE RENEWABLE RESOURCE GRANT AND LOAN PROGRAM ACCOUNT TO MONTANA STATE UNIVERSITY-NORTHERN; AMENDING SECTIONS 7-6-2225, 7-6-2226, 15-37-117, 15-38-202, 20-9-231, 85-1-604, AND 90-2-1104, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-37-117, MCA, is amended to read:

"15-37-117. Disposition of metalliferous mines license taxes. (1) Metalliferous mines license taxes collected under the provisions of this part must, in accordance with the provisions of 15-1-501(6), be allocated as follows:

(a) to the credit of the general fund of the state, 58% of total collections each year;

(b) to the state special revenue fund to the credit of a hard-rock mining impact trust account, 1.5% of total collections each year;

(c) to the state resource indemnity trust fund, ~~15.5%~~ 9.4% of total collections each year;

(d) to the renewable resource grant and loan program state special revenue account, 1.5% of total collections each year;

(e) to the reclamation and development grants program state special revenue account, 4.6% of total collections each year; and

(f) to the county or counties identified as experiencing fiscal and economic impacts, resulting in increased employment or local government costs, under an impact plan for a large-scale mineral development prepared and approved pursuant to 90-6-307, in direct proportion to the fiscal and economic impacts determined in the plan or, if an impact plan has not been prepared, to the county in which the mine is located, 25% of total collections each year, to be allocated by the county commissioners as follows:

(i) not less than 40% to the county hard-rock mine trust reserve account established in 7-6-2225;
and

(ii) all money not allocated to the account pursuant to subsection ~~(1)(d)(i)~~ (1)(f)(i) to be further allocated as follows:

(A) 33 1/3% is allocated to the county for planning or economic development activities;

(B) 33 1/3% is allocated to the elementary school districts within the county that have been affected by the development or operation of the metal mine; and

(C) 33 1/3% is allocated to the high school districts within the county that have been affected by the development or operation of the metal mine.

(2) When an impact plan for a large-scale mineral development approved pursuant to 90-6-307 identifies a jurisdictional revenue disparity, the county shall distribute the proceeds allocated under subsection ~~(1)(d)~~ (1)(f) in a manner similar to that provided for property tax sharing under Title 90, chapter 6, part 4.

(3) The department shall return to the county in which metals are produced the tax collections allocated under subsection ~~(1)(d)~~ (1)(f). The allocation to the county described by subsection ~~(1)(d)~~ (1)(f) is a statutory appropriation pursuant to 17-7-502."

Section 2. Section 15-38-202, MCA, is amended to read:

"15-38-202. (Temporary) Investment of resource indemnity trust fund -- expenditure -- minimum balance. (1) All money paid into the resource indemnity trust fund, including money payable into the fund under the provisions of 15-37-117, must be invested at the discretion of the board of investments. All the net earnings accruing to the resource indemnity trust fund must annually be added to the trust fund until it has reached the sum of \$10 million. Thereafter, only the net earnings may be appropriated and expended until the fund reaches \$100 million. Thereafter, all net earnings and all receipts must be appropriated by the legislature and expended, provided that the balance in the fund may never be less than \$100 million.

(2) (a) At the beginning of each biennium, there is allocated from the interest income of the resource indemnity trust fund:

(i) an amount not to exceed \$175,000 to the environmental contingency account pursuant to the conditions of 75-1-1101;

(ii) an amount not to exceed \$50,000 to the oil and gas production damage mitigation account

pursuant to the conditions of 82-11-161;

(iii) beginning in fiscal year 1995, \$240,000, which is statutorily appropriated, as provided in 17-7-502, from the renewable resource grant and loan program state special revenue account to support the operations of the environmental science-water quality instructional programs at northern Montana college to be used for support costs, for matching funds necessary to attract additional funds to further expand statewide impact, and for enhancement of the facilities related to the programs;

(iv) \$1,025,000 to be deposited into the renewable resource grant and loan program state special revenue account, created by 85-1-604, for the purpose of making grants;

(v) \$2,200,000 to be deposited into the reclamation and development grants state special revenue account, created by 90-2-1104, for the purpose of making grants; and

(vi) beginning in fiscal year 1994, \$250,000 to be deposited into the water storage state special revenue account created by 85-1-631.

(b) The remainder of the interest income is allocated as follows:

(i) Thirty-eight percent of the interest income of the resource indemnity trust fund must be allocated to the renewable resource grant and loan program state special revenue account created by 85-1-604.

(ii) Fifteen percent of the interest income of the resource indemnity trust fund must be allocated to the hazardous waste/CERCLA special revenue account provided for in 75-10-621.

(iii) Forty-one and one-half percent of the interest income from the resource indemnity trust fund must be allocated to the reclamation and development grants account provided for in 90-2-1104.

(iv) Five and one-half percent of the interest income of the resource indemnity trust fund must be allocated to the environmental quality protection fund provided for in 75-10-704.

(3) Any formal budget document prepared by the legislature or the executive branch that proposes to appropriate funds from the resource indemnity trust interest account other than as provided for by the allocations in subsection (2) must specify the amount of money from each allocation that is proposed to be diverted and the proposed use of the diverted funds. A formal budget document includes a printed and publicly distributed budget proposal or recommendation, an introduced bill, or a bill developed during the legislative appropriation process or otherwise during a legislative session.

15-38-202. (Effective July 1, 1995) Investment of resource indemnity trust fund -- expenditure -- minimum balance. (1) All money paid into the resource indemnity trust fund, including money payable into

1 the fund under the provisions of 15-37-117, must be invested at the discretion of the board of investments.
2 All the net earnings accruing to the resource indemnity trust fund must annually be added to the trust fund
3 until it has reached the sum of \$10 million. Thereafter, only the net earnings may be appropriated and
4 expended until the fund reaches \$100 million. Thereafter, all net earnings and all receipts must be
5 appropriated by the legislature and expended, provided that the balance in the fund may never be less than
6 \$100 million.

7 (2) (a) At the beginning of each fiscal year, there is allocated from the interest income of the
8 resource indemnity trust fund \$240,000, which is statutorily appropriated, as provided in 17-7-502, from
9 the renewable resource grant and loan program state special revenue account to support the operations of
10 the environmental science-water quality instructional programs at Montana state university-northern, to be
11 used for support costs, for matching funds necessary to attract additional funds to further expand statewide
12 impact, and for enhancement of the facilities related to the programs.

13 (b) At the beginning of each biennium, there is allocated from the interest income of the resource
14 indemnity trust fund:

15 (i) an amount not to exceed \$175,000 to the environmental contingency account pursuant to the
16 conditions of 75-1-1101;

17 (ii) an amount not to exceed \$50,000 to the oil and gas production damage mitigation account
18 pursuant to the conditions of 82-11-161;

19 (iii) ~~beginning in fiscal year 1996, \$240,000, which is statutorily appropriated, as provided in~~
20 ~~17-7-502, from the renewable resource grant and loan program state special revenue account to support~~
21 ~~the operations of the environmental science-water quality instructional programs at northern Montana~~
22 ~~college to be used for support costs, for matching funds necessary to attract additional funds to further~~
23 ~~expand statewide impact, and for enhancement of the facilities related to the programs;~~

24 ~~(iv)~~ beginning in fiscal year 1996, \$2 million to be deposited into the renewable resource grant and
25 loan program state special revenue account, created by 85-1-604, for the purpose of making grants;

26 ~~(iv)~~(iv) beginning in fiscal year 1996, \$3 million to be deposited into the reclamation and
27 development grants state special revenue account, created by 90-2-1104, for the purpose of making grants;
28 and

29 ~~(v)~~(v) beginning in fiscal year 1996, \$500,000 to be deposited into the water storage state special
30 revenue account created by 85-1-631.

1 ~~(b)~~(c) The remainder of the interest income is allocated as follows:

2 (i) Thirty-six percent of the interest income of the resource indemnity trust fund must be allocated
3 to the renewable resource grant and loan program state special revenue account created by 85-1-604.

4 (ii) Eighteen percent of the interest income of the resource indemnity trust fund must be allocated
5 to the hazardous waste/CERCLA special revenue account provided for in 75-10-621.

6 (iii) Forty percent of the interest income from the resource indemnity trust fund must be allocated
7 to the reclamation and development grants account provided for in 90-2-1104.

8 (iv) Six percent of the interest income of the resource indemnity trust fund must be allocated to
9 the environmental quality protection fund provided for in 75-10-704.

10 (3) Any formal budget document prepared by the legislature or the executive branch that proposes
11 to appropriate funds from the resource indemnity trust interest account other than as provided for by the
12 allocations in subsection (2) must specify the amount of money from each allocation that is proposed to
13 be diverted and the proposed use of the diverted funds. A formal budget document includes a printed and
14 publicly distributed budget proposal or recommendation, an introduced bill, or a bill developed during the
15 legislative appropriation process or otherwise during a legislative session."

16
17 **Section 3.** Section 85-1-604, MCA, is amended to read:

18 **"85-1-604. Renewable resource grant and loan program state special revenue account created --**
19 **~~revenues~~ revenue allocated -- limitations on appropriations from account.** (1) There is created a renewable
20 resource grant and loan program state special revenue account within the state special revenue fund
21 established in 17-2-102.

22 (2) Except to the extent that they are required to be credited to the renewable resource loan debt
23 service fund pursuant to 85-1-603, there must be paid into the renewable resource grant and loan program
24 state special revenue account:

25 (a) all ~~revenues~~ revenue of the works and other money as provided in 85-1-332;

26 (b) ~~38% of~~ the interest income of the resource indemnity trust fund as provided in and subject to
27 the conditions of 15-38-202;

28 (c) the excess of the coal severance tax proceeds allocated by 85-1-603 to the renewable resource
29 loan debt service fund above debt service requirements as provided in and subject to the conditions of
30 85-1-619;

(d) any fees or charges collected by the department pursuant to 85-1-616 for the servicing of loans, including arrangements for obtaining security interests; ~~and~~

(e) ~~20% of the resource indemnity tax proceeds~~ as provided in 15-38-106(2)(b); and

(f) the metal mines license tax proceeds as provided in 15-37-117(1)(d).

(3) Appropriations may be made from the renewable resource grant and loan program state special revenue account for the following purposes and subject to the following conditions:

(a) The amount of resource indemnity trust fund interest earnings allocated under 15-38-202(2)(b)(iii) must be used for renewable resource grants.

(b) An amount less than or equal to that paid into the account under 85-1-332 and only that amount may be appropriated for the operation and maintenance of state-owned projects and works. If the amount of money available for appropriation under this subsection (b) is greater than that necessary for operation and maintenance expenses, the excess may be appropriated as provided in subsection (3)(c).

(c) An amount less than or equal to that paid into the account from the resource indemnity trust account plus any excess from subsection (3)(b) and only that amount may be appropriated from the account for expenditures that meet the policies and objectives of the renewable resource grant and loan program. If the amount of money available for appropriation under this subsection (c) is greater than that necessary for operation and maintenance expenses, the excess may be appropriated as provided in subsection (3)(d).

(d) An amount less than or equal to that paid into the account from the sources provided for in subsections (2)(c) and (2)(d) and any excess from subsection (3)(c) and only that amount may be appropriated from the account for loans and grants for renewable resource projects; for purchase of liens and operation of property as provided in 85-1-615; for administrative expenses, including but not limited to the salaries and expenses of personnel, equipment, and office space; for the servicing of loans, including arrangements for obtaining security interests; and for other necessities incurred in administering the loans and grants."

Section 4. Section 90-2-1104, MCA, is amended to read:

"90-2-1104. Reclamation and development grants account. (1) There is a reclamation and development grants special revenue account within the state special revenue fund established in 17-2-102.

(2) There must be paid into the reclamation and development grants account money allocated from:

- (a) the interest income of the resource indemnity trust fund under the provisions of 15-38-202; ~~and~~
- (b) the resource indemnity trust tax under the provisions of 15-38-106; and
- (c) the metal mines license tax proceeds as provided in 15-37-117(1)(e).

(3) Appropriations may be made from the reclamation and development grants account for the following purposes:

- (a) grants for designated projects; and
- (b) administrative expenses, including the salaries and expenses of personnel, equipment, office space, and other expenses necessarily incurred in the administration of the grants program. These expenses may be funded prior to funding of projects."

Section 5. Section 7-6-2225, MCA, is amended to read:

"7-6-2225. County hard-rock mine trust reserve account -- expenditure restrictions. (1) The governing body of a county receiving an allocation under 15-37-117~~(1)(d)~~(1)(f) shall establish a county hard-rock mine trust reserve account.

(2) Money received by a county pursuant to 15-37-117 or 90-6-331 must remain in the account and may not be appropriated by the governing body until:

- (a) a mining operation has permanently ceased all mining related activity; or
- (b) the number of persons employed full-time in mining activities by the mining operation is less than one-half of the average number of persons employed full-time in mining activities by the mining operation during the immediately preceding 5-year period.

(3) If the circumstances described in subsections (2)(a) or (2)(b) occur, the governing body of the county must allocate at least one-third of the funds proportionally to affected high school districts and elementary school districts in the county, and may use the remaining funds in the account to:

- (a) pay for outstanding capital project bonds or other expenses incurred prior to the end of mining activity or the reduction in the mining work force described in subsection (2)(b);
- (b) decrease property tax mill levies that are directly caused by the cessation or reduction of mining activity;
- (c) promote diversification and development of the economic base within the jurisdiction of a local government unit;
- (d) attract new industry to the impact area;

(e) provide cash incentives for expanding the employment base of the area impacted by the changes in mining activity described in subsection (2); or

(f) provide grants or loans to other local government jurisdictions to assist with impacts caused by the changes in mining activity described in subsection (2).

(4) Except as provided in subsection (3)(b), money held in the account may not be considered as cash balance for the purpose of reducing mill levies.

(5) Money in the reserve account must be invested as provided by law. Interest and income from the investment of funds in the account must be credited to the account."

Section 6. Section 7-6-2226, MCA, is amended to read:

"7-6-2226. Metal mines tax reserve account. (1) The governing body of a county receiving tax collections under 15-37-117~~(1)(d)~~(1)(f) may establish a metal mines tax reserve account to be used to hold the collections. The governing body may hold money in the account for any time period ~~deemed~~ considered appropriate by the governing body. Money held in the account may not be considered as cash balance for the purpose of reducing mill levies.

(2) Money may be expended from the account for any purpose provided by law.

(3) Money in the account must be invested as provided by law. Interest and income from the investment of the metal mines tax reserve account must be credited to the account."

Section 7. Section 20-9-231, MCA, is amended to read:

"20-9-231. Metal mines tax reserve fund. (1) The governing body of a local school district receiving tax collections under 15-37-117~~(1)(d)~~(1)(f) may establish a metal mines tax reserve fund to be used to hold the collections. The governing body may hold money in the fund for any time period considered appropriate by the governing body. Money held in the fund may not be considered as fund balance for the purpose of reducing mill levies.

(2) Money may be expended from the fund for any purpose provided by law.

(3) Money in the fund must be invested as provided by law. Interest and income from the investment of the metal mines tax reserve fund must be credited to the fund.

(4) The fund must be financially administered as a nonbudgeted fund under the provisions of this title."

NEW SECTION. Section 8. Effective date. [This act] is effective July 1, 1995.

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0569, as introduced

DESCRIPTION OF PROPOSED LEGISLATION: A bill to revise the allocation of the Metal Mines License Tax; allocate a portion of the tax to the Renewable Resource Grant and Loan Program Account and to the Reclamation and Development Grants Program Account; allocate \$240,000 annually from the Renewable Resource Grant and Loan Program Account to Montana State University-Northern beginning in fiscal year 1997.

ASSUMPTIONS:

- Metal Mines License Tax collections are \$5,631,000 in FY96 and \$5,310,000 in FY97 (ROC).
- Under current law, 15.5 percent of the metal mine tax is deposited into the Resource Indemnity Trust. House Bill No. 569 would reduce this allocation to 9.4 percent, allocate 1.5 percent to the Renewable Resource account (RRGL SRA), and allocate 4.6 percent to the Reclamation and Development account (RDG SRA).

FISCAL IMPACT:

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
<u>Expenditures:</u>		
MSU-Northern	0	\$240,000
<u>Revenue:</u>		
<u>Metal Mines Tax</u>		
RIT Trust Fund	(\$349,120)	(\$329,212)
RRGL SRA (02272)	\$87,280	\$82,303
RDG SRA (02458)	<u>\$261,840</u>	<u>\$246,909</u>
Total	0	0
<u>RIT Interest</u>		
RRGL SRA (02272)	(\$3,075)	(\$12,931)
RDG SRA (02458)	(\$3,416)	(\$14,368)
CERCLA SRA (02070)	(\$1,537)	(\$6,466)
EQP SRA (02162)	<u>(\$512)</u>	<u>(\$2,155)</u>
Total	(\$8,540)	(\$35,920)

TECHNICAL NOTE:

Senate Bill 46 amended 15-37-117 MCA during this session and has been passed by both houses and signed by the Governor. That bill changed the Metal Mines License Tax allocation to Resource Indemnity Trust and other accounts. The legislation proposed here amends the same section of code and has no coordination instructions with SB-46. Coordination instructions need to be added to HB-569 in order to clarify the interaction of these two bills.

Dave Lewis 2-23-95
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Scott Orr
SCOTT ORR, PRIMARY SPONSOR DATE
Fiscal Note for HB0569, as introduced
HB 569

3/08 TABLED IN COMMITTEE
 3/29 MISSED TRANSMITTAL DEADLINE FOR 71ST DAY
 DIED IN COMMITTEE

HB 569 INTRODUCED BY ORR

REVISE ALLOCATION OF THE METAL MINES LICENSE TAX

2/18	INTRODUCED		
2/18	FIRST READING		
2/18	REFERRED TO TAXATION		
2/20	FISCAL NOTE REQUESTED		
2/27	FISCAL NOTE RECEIVED		
3/01	FISCAL NOTE PRINTED		
3/06	HEARING		
3/08	COMMITTEE REPORT—BILL PASSED AS AMENDED		
3/24	2ND READING PASSED	74	25
3/25	3RD READING PASSED	80	18
	TRANSMITTED TO SENATE		
3/27	FIRST READING		
3/27	REFERRED TO TAXATION		
4/03	HEARING		
4/06	COMMITTEE REPORT—BILL CONCURRED AS AMENDED		
4/07	2ND READING CONCURRED	48	0
4/08	3RD READING CONCURRED	46	2
	RETURNED TO HOUSE WITH AMENDMENTS		
4/10	2ND READING AMENDMENTS CONCURRED	92	8
4/11	3RD READING AMENDMENTS CONCURRED	87	11
4/13	SIGNED BY SPEAKER		
4/18	SIGNED BY PRESIDENT		
4/18	TRANSMITTED TO GOVERNOR		
5/01	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 577		
	EFFECTIVE DATE: 07/01/95		

HB 570 INTRODUCED BY WISEMAN, ET AL.

RELATE TO TAXATION OF REGULATED INVESTMENT COMPANIES AND
THEIR SHAREHOLDERS

2/20	INTRODUCED		
2/20	FIRST READING		
2/20	REFERRED TO TAXATION		
2/21	FISCAL NOTE REQUESTED		
2/27	FISCAL NOTE RECEIVED		
2/28	FISCAL NOTE PRINTED		
3/06	HEARING		
3/07	COMMITTEE REPORT—BILL PASSED AS AMENDED		
3/09	2ND READING PASSED	98	2
3/10	3RD READING PASSED	98	1
	TRANSMITTED TO SENATE		
3/13	FIRST READING		
3/13	REFERRED TO TAXATION		
3/16	HEARING		
3/16	COMMITTEE REPORT—BILL CONCURRED		
3/24	2ND READING CONCURRED	49	0
3/25	3RD READING CONCURRED	48	0
	RETURNED TO HOUSE		
3/27	SIGNED BY SPEAKER		
3/28	SIGNED BY PRESIDENT		
3/28	TRANSMITTED TO GOVERNOR		

HOUSE TAXATION

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- BILL NO - REFERRED - HEARING - OTHER CONSIDERATION DATES - EXECUTIVE ACTION/DATE/VOTE ----- REREFERRED ---- DATE READ

HB0561	LARSON, DON	INCREASE THE MOTORCYCLE TRAINING FEE TO \$5			
	2/15	3/01	DO PASS	VOTE:	3/02
HB0562	WENNEMAR, KENNETH	DELETE AGRICULTURAL SPECIAL ELIGIBILITY CRITERIA FOR CERTAIN PROPERTY TYPES			
	2/15	3/07	PASS AS AMENDED	VOTE:	3/10
HB0565	ELLIS, ALVIN	ALLOW OWNER OF LIVESTOCK TO BE ASSESSED AND TAXED ON AVERAGE INVENTORY BASIS			
	2/16	3/01	PASS AS AMENDED	VOTE:	3/07
HB0567	HIBBARD, CHASE	REVISE QUALIFIED MONTANA SMALL BUSINESS INVESTMENT CAPITAL COMPANY POLICY			
	3/04		PASS AS AMENDED	VOTE:	3/16
HB0568	FISHER, MARJORIE	PROPERTY TAX ON SKI AREAS SIMILAR TO GOLF COURSES			
	2/16	3/08	TABLED ON 03/08	VOTE:	
HB0569	ORR, SCOTT	REVISE THE ALLOCATION OF THE METAL MINES LICENSE TAX			
	2/18	3/06	PASS AS AMENDED	VOTE:	3/08
HB0570	WISEMAN, WILLIAM	TAXATION OF REGULATED INVESTMENT COMPANIES AND THEIR SHAREHOLDERS			
	2/20	3/06	PASS AS AMENDED	VOTE:	3/07
HB0572	HARRINGTON, DAN	EXTEND ECONOMIC DEVELOPMENT LEVY TO 6 YEARS			
	2/20	3/02	DO PASS	VOTE:	3/02
HB0574	REHBEIN, WILLIAM	PRIVATIZE STATE LIQUOR STORES TO FRANCHISE LIQUOR STORES			
	2/21			VOTE: BUSINESS & LABOR	
HB0582	BOHARSKI, WILLIAM	TUITION TAX CREDIT FOR ELEMENTARY AND SECONDARY TUITION PAID			
	3/04	3/09	TABLED ON 03/22	VOTE:	
HB0583	EWER, DAVID	REVISE SCHOOL FUNDING BY REDUCING STATE LEVY AND INCREASING GAMBLING TAX			
	3/06	3/13	TABLED ON 03/21	VOTE:	
HB0586	WYATT, DIANA	CERTAIN COUNTY MILL LEVIES ARE ONLY AGAINST PROPERTY NOT IN CITY OR TOWN			
	3/07	3/10	TABLED ON 03/10	VOTE:	

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN CHASE HIBBARD**, on March 6, 1995, at
8:00 a.m.

ROLL CALL

Members Present:

Rep. Chase Hibbard, Chairman (R)
Rep. Marian W. Hanson, Vice Chairman (Majority) (R)
Rep. Robert R. "Bob" Ream, Vice Chairman (Minority) (D)
Rep. Peggy Arnott (R)
Rep. John C. Bohlinger (R)
Rep. Jim Elliott (D)
Rep. Daniel C. Fuchs (R)
Rep. Hal Harper (D)
Rep. Rick Jore (R)
Rep. Judy Murdock (R)
Rep. Thomas E. Nelson (R)
Rep. Scott J. Orr (R)
Rep. Bob Raney (D)
Rep. John "Sam" Rose (R)
Rep. William M. "Bill" Ryan (D)
Rep. Roger Somerville (R)
Rep. Robert R. Story, Jr. (R)
Rep. Emily Swanson (D)
Rep. Jack Wells (R)
Rep. Kenneth Wennemar (D)

Members Excused: None.

Members Absent: None.

Staff Present: Lee Heiman, Legislative Council
Donna Grace, Committee Secretary

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing:	SB 255
	HB 569
	HB 570
Executive Action:	HB 565 - Do Pass as Amended
	SB 152 - Tabled
	SB 255 - Be Concurred In
	HB 570 - Do Pass as Amended

HEARING ON HB 569Opening Statement by Sponsor:

REP. SCOTT ORR, House District 82, Libby, said HB 569 would correct an oversight from the last session in relation to the Resource Indemnity Trust, specifically, the metalliferous mines tax.

Proponents' Testimony:

Mark Simonich, Director, Department of Natural Resources and Conservation (DNRC), spoke in support of HB 569. An error was created two years ago when HB 608 was passed. Mr. Simonich explained that HB 608 failed to change the allocation of the metal mines tax. Under HB 569, 1.5% of the metal mines tax will be deposited into the renewable resource special revenue account and 4.6% will be deposited into the reclamation and development special revenue account. The bill also corrects the funding for MSU - Northern's water quality program. The intent was to appropriate \$240,000 annually for this program and, unfortunately, due to a drafting error, a \$240,000 biennial appropriation was established. The bill also contains technical changes to create proper cross references. Mr. Simonich said that changing the metal mines tax allocation would result in a loss of \$678,000 to the RIT Trust and extend the time until the trust reaches \$100 million by approximately one year. HB 569 will make additional revenue available to offset the RIT deficit in the DNRC budget; however, the bill is not an attempt to divert any more proceeds from the RIT than originally intended with HB 608. Mr. Simonich advised that it may be necessary to offer some amendments to the bill so that it would conform to SB 46 which corrects a similar problem with the groundwater assessment program.

Bill Daehling, Chancellor, MSU - Northern, spoke in favor of the bill. He said it was the intent of the Legislature to provide an annual appropriation for the water quality environmental science program at Northern. With the proper appropriation, they will be able to double enrollment in the program to continue to provide water treatment and wastewater treatment operators for the State of Montana.

Mike Malone, MSU - Bozeman, testified in support of the bill.

REP. BILL WISEMAN, House District 41, Great Falls, said he would propose an amendment to the bill. EXHIBIT 2. REP. WISEMAN said that members of the Appropriations Sub-Committee were concerned that this bill would add \$3.7 million in new funds to the DNRC budget. The Committee considered making cuts in the budget, and then decided it would be more appropriate to look at total RIT allocations.

{Tape: A; Side: 2.}

REP. WISEMAN said that if the amendments are not adopted, \$5 million in general fund money which is siphoned off before it gets to the RIT, will be used to fund renewable resource grants for projects such as the Park Conservation District soil survey of rangelands and forest lands in Park County for \$100,000, campground improvements for \$27,000, Kitt Lake Water District for \$35,000, City of Kalispell water well for \$50,000, contained in HB 6. He said that HB 7 would also fund projects with general fund money that are inappropriate. It is time to look at what is happening and the amendments would cut renewable resources grants from \$2 million to \$500,000 and would cut the reclamation grants from \$3 million to \$1 million. He said it was time to stop using the RIT trust money as backfill for general fund.

Mike Vilesky, Montana Association of Conservation Districts, spoke in support of the bill and against the amendment because the bill provides long-term funding for renewable resource and reclamation development grant program and also provides necessary funding for agencies the conservation districts work closely with. In response to Rep. Wiseman's comments, **Mr. Vilesky** said it was the Legislature that had decided that the money could appropriately be used for renewable resource grants and loans and reclamation grants.

Allan Cox, Director of the Natural Resources Information System, MSU Library, explained that RIT trust provides a third of their funding and allows them to operate the clearing house functions, mandated in the statutes, allowing access to natural resources information by all Montana citizens.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

REP. ROSE asked how this bill would affect the grant funds now available to rural communities and conservation districts. **Mr. Simonich** said the bill would not have any impact one way or the other. He explained that HB 608 had appropriated \$2 million for renewable resources grants and \$3 million for reclamation grants higher on the list for funding and is allocated through HB 6 and HB 7. This would continue if HB 569 is passed as it was presented by Rep. Orr. Under Rep. Wiseman's amendments, the amounts would be reduced which would mean that most of the communities that had applied for grants would not be funded. He said there were 40 programs that had requested funding through a grant or loan and the Committee agreed to fund 34 programs. With the amendment, only the first five projects on the list would be funded. **Mr. Simonich** said the DOR has had amendments prepared to correct figures to conform with SB 46 which had already been passed. **John Tubbs, DNRC Bureau Chief**, distributed copies of a

list of projects recommended for funding under the renewable resource grant and loan program and the reclamation and development grant program. EXHIBIT 3.

REP. ELLIOTT said, if he understood correctly, that Rep. Wiseman's amendment would undo what the Governor's budget does. **Mr. Tubbs** said the way he understood the amendment was that the Appropriations Sub-Committee did not want to see that large an increase in general funds Rep. Wiseman proposes using RIT funds and the Governor has proposed using general funds. **Mr. Tubbs** said the \$2 million for renewable resources projects and \$3 million for reclamation project are statutorily allocated for those purposes. The idea behind HB 608 was that the grant funds were to continually decline as the agency budget grew. When HB 608 was passed, it guaranteed a minimum amount to those programs. When the Governor reviewed the shortfall in RIT, he looked at that option and decided against it. Instead, he cut \$1 million out of the DNRC budget for projects and increased the general fund allocation.

REP. ELLIOTT said he would presume that the Sub-Committee had tried to amend the money out of the DNRC budget. **Rep. Wiseman** said the Sub-Committee was convinced that they should not take all of this out of the DNRC budget but should, instead, look at the total allocation of RIT funds.

REP. HARPER asked if the Committee were to change the allocation to 7.2%, what the projected date the RIT would reach \$100 million would be. **Mr. Tubbs** said it would be delayed by one year to 2000. **REP. HARPER** asked the sponsor if he agreed that the \$240,000 expenditure for MSU - Northern should be made permanent in view of the original purposes of the RIT. **REP. ORR** said that personally he did not agree, but the Montana Supreme Court had decided that it was an appropriate use of the money.

REP. HARPER said the Committee had heard a bill which would repeal the tax when the RIT reached \$100 million and the concerns expressed during the hearing were that the money had been used inappropriately and the original intent had been to repeal the tax when the trust reached \$100 million. He said that Rep. Bardanouve, sponsor of the Act, does not remember any such promise being made. Governor Schwinden, whose idea the trust was, also does not remember any promise to repeal the tax. He said the Committee is being told, on one hand, the money is being misspent and the proposed amendment says the money should be used to replace general fund money. **REP. WISEMAN** said what he was saying was that it is time for the Legislature to decide permanently whether or not the fund is being used for the original intent and whether the Legislature should continue to fund projects having a very low priority. **REP. HARPER** asked Rep. Wiseman if his position was that the money should be earmarked to be used for whatever the Legislature thinks is the most appropriate. **REP. WISEMAN** replied that if he thought this was a one-time problem, he wouldn't be here. He said that oil and gas

drilling has been effectively killed because of the taxation situation. Interest rates will continue to decline and the return from the trust will go down. It is time to decide whether the Legislature is on the right road or not.

REP. SWANSON asked for an explanation of the 7.2% suggested by the DOR. Mr. Tubbs explained that HB 406 reduced the allocation into the trust to 13.3%. This bill would reduce it further by 4.6% to the reclamation and development account and an additional 1.5% would go to renewable resources, leaving 7.2%. Mr. Tubbs then provided an in-depth explanation of the income to and expenditures from the RIT.

{Tape: 2; Side: A.}

REP. NELSON asked what the interest rates had been used in the assumptions for the next biennium. Mr. Tubbs replied that he thought it was "in the mid-7's." In response to REP. NELSON'S comment that the projection might be optimistic, Mr. Tubbs responded that the Board of Investments has done a good job. REP. NELSON commented that the allocation error in HB 608 had almost caused a special session. The Finance Committee, Environmental Quality Council and the Revenue Oversight Committee all became involved and the groundwater assessment program was up and running when they realized there was a "glitch" in the law. The problem was solved by financing the program from the environmental quality protection fund.

REP. SWANSON asked if the Committee passed the Wiseman amendment whether the DNRC would have the discretion to take general fund money and put it into the renewable resource or reclamation grant programs. Mr. Simonich said they would not. REP. SWANSON then asked what the affect would be if the general fund were appropriated to the DNRC, and the Wiseman amendment passed. Mr. Simonich said that if the Legislature appropriates the general fund money in HB 2 as suggested by the Governor, and the Wiseman amendments were adopted, it would mean that at the end of the biennium there would be a \$3.5 million larger ending fund balance. That money could potentially be available during the biennium for grants. Rep. Wiseman is amending the statutory language that says "there will be \$2 million for grants" to "there will be \$500,000 for grants" and, if the general fund were still in the budget, it would still be available.

REP. SWANSON asked if the money were available, what authority the DNRC would have to use it for that purpose. Mr. Simonich said the authority would be contained in HB 6 and HB 7 which list the specific grants and, if passed, would fund the projects as the money became available.

REP. ROSE asked how many students per year were enrolled in the program at MSU - Northern at a cost of \$240,000 per year. Mr. Daehling said that because of the restrictions on the size of the program and the laboratories available, they were able to take 15

students a year. With the additional appropriation, they can double that number. He commented that 90% of the graduates stay in Montana.

Closing by Sponsor:

REP. ORR closed by commenting that the discussion had increased everyone's knowledge of the RIT.

HEARING ON HB 570

Opening Statement by Sponsor:

REP. BILL WISEMAN, House District 41, Great Falls, said HB 570 deals with regulated investment funds which is another name for a mutual fund. HB 570 would correct a problem that exists in Montana. He explained that large and highly populated states have mutual in-state funds that are invested in tax-free bonds by the residents of that state. Montana has no state fund because of the tax structure. There is nothing in the tax code to keep a corporation that forms a mutual fund from having to pay Montana corporate tax. This bill would relieve that situation so that an in-state fund can be organized for small investors who would like to invest in Montana tax free bonds through a mutual fund.

Proponents' Testimony:

Bruce A. MacKenzie, D. A. Davidson & Co., testified in support of the bill. A written copy of his testimony is attached. EXHIBIT 4. He offered an amendment to the bill which would clarify that only Montana bonds would be tax free. EXHIBIT 5.

Tom Harrison, C.P.A., Montana Association of Certified Public Accountants, said HB 570 is a pro-Montana bill and would be beneficial to the people of Montana.

Opponents' Testimony:

None.

{Tape: 2; Side: B.}

Questions From Committee Members and Responses:

REP. NELSON asked if passage of the bill would result in an increase of mutual funds enabling more investment by endowment funds. Mr. MacKenzie said it would provide the opportunity for greater diversity within Montana.

Closing by Sponsor:

REP. WISEMAN said he wanted to make it clear that he had no conflict of interest in the bill. He supports the bill because

HOUSE OF REPRESENTATIVES

Taxation

ROLL CALL

DATE March 6, 1995

NAME	PRESENT	ABSENT	EXCUSED
Rep. Chase Hibbard, Chairman	✓		
Rep. Marian Hanson, Vice Chairman, Majority	✓		
Rep. Bob Ream, Vice Chairman, Minority	✓		
Rep. Peggy Arnott	✓		
Rep. John Bohlinger	✓		
Rep. Jim Elliott	✓		
Rep. Daniel Fuchs	✓		
Rep. Hal Harper	✓		
Rep. Rick Jore	✓		
Rep. Judy Rice Murdock	✓		
Rep. Tom Nelson	✓		
Rep. Scott Orr	✓		
Rep. Bob Raney	✓		
Rep. Sam Rose	✓		
Rep. Bill Ryan	✓		
Rep. Roger Somerville	✓		
Rep. Robert Story	✓		
Rep. Emily Swanson	✓		
Rep. Jack Wells	✓		
Rep. Ken Wennemar	✓		

EXHIBIT 2
DATE 3/6/95
HB 569

Amendments to House Bill No. 569
Introduced Copy

Requested by Representative Wiseman
For the House Taxation Committee

Prepared by Roger Lloyd
February 21, 1995

1. Page 4, line 24.
Strike: "\$2 million"
Insert: "\$500,000"

2. Page 4, line 26.
Strike: "\$3"
Insert: "\$1"

{Office of Legislative Fiscal Analyst

444-2986}

Table 2
Renewable Resource Grant and Loan Program
1997 Biennium Funding Recommendations

Reflect Long-range Planning

EXHIBIT 3

DATE 3/6/95

HB 569 Cumulative

Project Sponsor (Project Title)	Grant Request	Grant Recommended	Loan Recommended	Grant Recommended
Department of Natural Resources and Conservation (Emergency Grants)		\$125,000		\$125,000
Department of Natural Resources and Conservation (Private Grants)		100,000		225,000

Grants and Loans to Governmental Entities

Rank	Project Sponsor (Project Title)	Grant Request	HB 6 Grant Recommended	HB 8 Loan Recommended	Cumulative Grant Recommended
01	Fallon County (Lower Baker Spillway Construction and Cleaning)	\$31,743	\$31,743	\$0	\$256,743
02T	Conrad, City of (Reconstruct Outlet Conduit on Lake Francis East Dam)	100,000	50,000	50,000	306,743
03T	Lewistown, City of (Water System Improvements)	100,000	100,000	0	406,743
04	Department of Natural Resources and Conservation—WRD (Deadman's Basin Water Quality Improvement Project)	50,000	47,919	111,081	454,662
05	Department of Natural Resources and Conservation—WRD (Verification of PDSI for Montana)	65,000	0		454,662
06	Montana Tech of the University of Montana (Groundwater Protection and Education, Rural Schools)	84,560	84,560		539,222
07	Montana State University—Montana Watercourse (Preparing Citizens for Montana's Water Future)	100,000	100,000		639,222
08	Greenfields Irrigation District (Main Canal Flow Control System)	100,000	50,000	50,000	689,222
09	Lewis and Clark County (Helena Area Bedrock Aquifer Assessment)	100,000	100,000		789,222
10	Missoula County (Conservation of Riparian Areas Model Project)	100,000	100,000		889,222
11	Thompson Falls, City of (Water Engineering Study)	51,820	51,820		941,042
12	Bozeman, City of (Separator Waste Collection Facility)	50,000	50,000	158,850	991,042
13	Governor's Office—Flathead Basin Commission (Flathead Lake Watershed Management Plan)	100,000	100,000		1,091,042
14	Department of Natural Resources and Conservation—WRD (Flint Creek Return Flow Study)	100,000	100,000		1,191,042
15	Richland County (Lone Tree Dam Rehabilitation)	100,000	0	0	1,191,042
16	Mile High Conservation District (Effects of Land Uses on Montana's Salinized Lands)	99,933	0		1,191,042
17	Butte-Silver Bow Local Government (Big Hole River Water Transmission Line Replacement)	100,000	100,000	0	1,291,042
18	Montana Tech of the University of Montana (Hydrologic Evaluation, Florence and Seeley Lake)	95,422	95,422		1,386,464
19	Park Conservation District (Soil Survey on Rangelands and Forestlands / Park County)	100,000	0		1,386,464
20	Chouteau and Fergus Counties (PN Bridge—Campground)	99,651	50,000	0	1,436,464

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By CHAIRMAN CHASE HIBBARD, on March 7, 1995, at
8:00 A.M.

ROLL CALL

Members Present:

Rep. Chase Hibbard, Chairman (R)
Rep. Marian W. Hanson, Vice Chairman (Majority) (R)
Rep. Robert R. "Bob" Ream, Vice Chairman (Minority) (D)
Rep. Peggy Arnott (R)
Rep. John C. Bohlinger (R)
Rep. Jim Elliott (D)
Rep. Daniel C. Fuchs (R)
Rep. Hal Harper (D)
Rep. Rick Jore (R)
Rep. Judy Murdock (R)
Rep. Thomas E. Nelson (R)
Rep. Scott J. Orr (R)
Rep. John "Sam" Rose (R)
Rep. William M. "Bill" Ryan (D)
Rep. Roger Somerville (R)
Rep. Robert R. Story, Jr. (R)
Rep. Emily Swanson (D)
Rep. Jack Wells (R)
Rep. Kenneth Wennemar (D)

Members Excused:

Rep. Bob Raney (D)

Members Absent: None.

Staff Present: Lee Heiman, Legislative Council
Donna Grace, Committee Secretary

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: HB 558
HB 562
Executive Action: HB 569 - Do Pass as Amended
SB 197 - Tabled
HJR 9 - Do Pass as Amended
HB 524 - Do Pass as Amended

Vote:

On a roll call vote, the motion to adopt Amendment B failed, 19 - 1.

Motion/Vote:

REP. REAM MOVED THAT HB 524 AS AMENDED DO PASS. On a voice vote, the motion passed 17 - 3.

EXECUTIVE ACTION ON SB 197

CHAIRMAN HIBBARD said there were amendments to SB 197. EXHIBIT 5. Mr. Heiman said the first amendment says, if the bill passes, and the appropriation is \$265,000 or less, the money would be distributed according to the formula in present law. The second amendment says that when the appropriation is more than \$265,000, that amount would be distributed according to present law and everything in excess would be distributed according to the new law.

Motion:

REP. STORY MOVED THAT THE SECOND AMENDMENT BE ADOPTED.

Discussion:

REP. STORY said the amendment was more inclusive and would allow for distribution to all counties.

REP. HARPER said the amendments were an attempt to salvage the bill. In order for the amendments to come into play, there would have to be an extra amount of money appropriated from the general fund. The language clutters up the statutes and there is no reason for it.

REP. ELLIOTT said he did not sense a large sentiment for passing the bill either with or without the amendment.

Substitute Motion/Vote:

REP. ELLIOTT MOVED THAT SB 197 BE TABLED. On a voice vote, the motion passed, 19 - 1.

EXECUTIVE ACTION ON HB 569

Motion:

REP. ORR MOVED THAT HB 569 DO PASS.

Discussion:

Mr. Heiman explained that the DOR had proposed an amendment which would coordinate this bill with SB 46 which has been signed by the Governor. It would incorporate the provisions of SB 46 into HB 569 so that the tax amounts accurately reflect both bills. EXHIBIT 6.

Motion/Vote:

REP. ORR MOVED THAT THE AMENDMENTS BE ADOPTED. On a voice vote, the motion passed unanimously.

Discussion:

CHAIRMAN HIBBARD said Rep. Wiseman had also proposed an amendment.

REP. REAM said the Wiseman amendment would drop renewable resources grants to \$500,000 and reclamation grants to \$1 million.

REP. NELSON said this sounded like work for the Appropriations Committee.

REP. ORR distributed a chart showing allocation of RIT proceeds and interest for the 1997 biennium as reflected in HB 569. EXHIBIT 7.

CHAIRMAN HIBBARD asked if anyone wished to move the proposed Wiseman amendments. There was no response.

Motion:

REP. ELLIOTT MOVED THAT HB 569 AS AMENDED DO PASS.

Discussion:

REP. ORR said the chart which was distributed was updated to show the results of HB 46 which reduces the Metalliferous Mine Tax to 13.3% and the heavy lines on the chart indicate the changes to be accomplished by HB 569. The bill corrects omissions from HB 608 during the last session and the affect would be less money going into the trust. If the bill is passed, it would delay by one year the date on which the trust would reach \$100 million.

Vote:

On a roll call vote, the motion passed, 19 - 1.



HOUSE STANDING COMMITTEE REPORT

March 7, 1995

Page 1 of 2

Mr. Speaker: We, the committee on Taxation report that **House Bill 569** (first reading copy -- white) do pass as amended.

Signed: _____

A handwritten signature in cursive script, appearing to read "Chase Hibbard", is written over a horizontal line.

Chase Hibbard, Chair

And, that such amendments read:

1. Title, line 8.

Following: "UNIVERSITY-NORTHERN;"

Insert: "INSERTING LANGUAGE RELATING TO THE GROUND WATER
ASSESSMENT ACCOUNT TO CONFORM TO SENATE BILL NO. 48, WHICH
WAS ENACTED AS CHAPTER 31, LAWS OF 1995;"

2. Page 1, line 21.

Strike: "9.4%"

Insert: "7.2%"

3. Page 1.

Following: line 21

Insert: "(d) to the ground water assessment account established
in 85-2-905, 2.2% of total collections each year;"

Renumber: subsequent subsections

4. Page 2, line 3.

Strike: "(1)(f)(i)"

Insert: "(1)(g)(i)"

5. Page 2, line 12.

Page 7, line 13.

Page 8, line 12.

Page 8, line 22.

Strike: "(1)(f)"

Insert: "(1)(g)"

Committee Vote:

Yes 19, No 1

531231SC.Hbk

6. Page 2, line 15.
Strike: "(1)(f)" in both places
Insert: "(1)(g)"

7. Page 6, line 4.
Strike: "(1)(d)"
Insert: "(1)(e)"

8. Page 7, line 3.
Strike: "(1)(e)"
Insert: "(1)(f)"

-END-

SENATE TAXATION

Page 3

- BILL NO - REFERRED - HEARING - OTHER CONSIDERATION DATES - EXECUTIVE ACTION/DATE/VOTE - REREFERRED - DATE READ

HB0534	HARRINGTON, DAN	PROPERTY TAXATION OF UNDEVELOPED OR PLANNED INDUSTRIAL PARKS	3/07	3/15	CONCUR	3/15	VOTE:	3/16
HB0545	MURDOCK, JUDY	IMPROVEMENTS TO REMOVE BARRIERS IN COMMERCIAL BUILDINGS -- EXEMPTION	3/27	3/30	CONCUR	3/30	VOTE:	3/30
HB0550	KASTEN, BETTY LOU	SIMPLIFY AND IMPROVE WAGE-BASED REPORTING OF CERTAIN TAXES	3/21	3/29	CONCUR AS AMENDED	3/30	VOTE:	3/30
HB0561	LARSON, DON	INCREASE THE MOTORCYCLE TRAINING FEE TO \$5	3/09	3/16	CONCUR	4/4	VOTE:	4/04
HB0562	WENNEMAR, KENNETH	DELETE AGRICULTURAL SPECIAL ELIGIBILITY CRITERIA FOR CERTAIN PROPERTY TYPES	3/27	3/30	CONCUR	4/3	VOTE:	4/03
HB0565	ELLIS, ALVIN	ALLOW OWNER OF LIVESTOCK TO BE ASSESSED AND TAXED ON AVERAGE INVENTORY BASIS	3/13	3/16	CONCUR AS AMENDED	4/5	VOTE:	4/05
HB0569	ORR, SCOTT	REVISE THE ALLOCATION OF THE METAL MINES LICENSE TAX	3/27	4/03	CONCUR AS AMENDED	4/6	VOTE:	4/06
HB0570	WISEMAN, WILLIAM	TAXATION OF REGULATED INVESTMENT COMPANIES AND THEIR SHAREHOLDERS	3/13	3/16	CONCUR	3/16	VOTE:	3/16
HB0572	HARRINGTON, DAN	EXTEND ECONOMIC DEVELOPMENT LEVY TO 6 YEARS	3/07	3/15	CONCUR	3/15	VOTE:	3/16
HB0587	QUILICI, JOE	GENERALLY REVISE CIGARETTE AND TOBACCO LAWS	3/27	3/30	CONCUR AS AMENDED	4/7	VOTE:	4/07
HB0588	OHS, KARL	CLARIFY REFUND PROVISIONS OF PROPERTY TAXES RELATED TO CERTAIN ERRORS	3/27	3/30	CONCUR	3/30	VOTE:	3/30
HB0589	GRADY, ED	EXEMPT FRATERNAL LODGES FROM BENEFICIAL USE TAX	3/27	4/03	TABLED ON	04/04	VOTE:	

MINUTES

MONTANA SENATE
54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By CHAIRMAN GERRY DEVLIN, on April 3, 1995, at
8:00 a.m.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Mike Foster, Vice Chairman (R)
Sen. Mack Cole (R)
Sen. Delwyn Gage (R)
Sen. Lorents Grosfield (R)
Sen. John G. Harp (R)
Sen. Dorothy Eck (D)
Sen. Barry "Spook" Stang (D)
Sen. Fred R. Van Valkenburg (D)

Members Excused: SEN. BARRY "SPOOK" STANG

Members Absent: None

Staff Present: Jeff Martin, Legislative Council
Renée Podell, Committee Secretary

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: HB 569, HB 589, HB 598, HB 601
Executive Action: HB 562

HEARING ON HB 598

Opening Statement by Sponsor:

REP. CHASE HIBBARD, HD 54, Helena, asserted HB 598 is a committee bill from House Taxation which addresses a problem due to a District Court decision in Silver Bow County. He explained prior to this decision whenever property would change hands each step of the transaction was recorded and supported by deeds. REP. HIBBARD stated the court decision required ownership information be changed even if there was a break in the chain of title. He further explained it will become impossible in some instances to accommodate ownership changes with no clear change of title and incorrect tax billings will result. REP. HIBBARD acknowledged

Dave C. Hartnett, Helena Lodge No. 193, submitted written testimony. EXHIBIT 30.

Opponents' Testimony:

None

Informational Testimony:

None

Questions From Committee Members and Responses:

SEN. MACK COLE asked Mr. Raundal if the organization paid taxes on the building or the land underneath the building. Mr. Raundal responded the taxes are on the buildings and the land. He stated the land and the building is owned by the Forestry Division.

SEN. COLE asked Mr. Raundal when he started paying taxes. Mr. Raundal said the organization never paid taxes before and their 1993 taxes have been paid under protest.

SEN. DOROTHY ECK asked Mr. Woodgerd if this bill will effect more than just this one piece of property. Mr. Woodgerd stated Legislative Council rewrote the bill and it appears there is only one piece of property in the state this bill will effect.

SEN. MIKE FOSTER asked Mr. Woodgerd why he testified in 1993 in regard to risks this bill could cause with the beneficial use tax and now he isn't testifying at all. Mr. Woodgerd responded the problem is the magnitude. He said the DOR isn't neutral on this bill. He said the DOR didn't testify on this because there was a judgment made this case wasn't significant enough to cause a problem.

{Tape: 1; Side: B; Comments: Tape Turned.}

Closing by Sponsor:

REP. GRADY remarked the organization paid \$9,360.00 on taxes under protest. He stated there is a serious need to address this issue.

HEARING ON HB 569

Opening Statement by Sponsor:

REP. SCOTT ORR, HD 82, Libby, presented a handout titled, "Allocation of RIT Proceeds and Interest". EXHIBIT 31. He explained HB 569 deals with the Resource Indemnity Trust Tax (RITT) the Metalliferous Mine Tax portion of the RITT diverting a portion away from the trust before it gets there. REP. ORR commented this bill corrects a problem from the last session. He stated \$240,000.00 a year was to go to Northern Montana College

in Havre. He explained the amount that came out in the bill was \$240,000.00 a biennium.

Proponents' Testimony:

Mark Simonich, Department of Natural Resource and Conservation, acknowledged this bill is an effort to correct an oversight from HB 608 from two years ago. He urged support for this legislation.

Bill Daeheing, Northern Montana College, spoke in support of HB 569.

Opponents' Testimony:

John Fitzpatrick, Director of Community and Governmental Affairs, Pegasus Gold Corporation, announced this bill is a major diversion of RITT funds from the Trust Fund. He said the correction of the error described by Mr. Simonich changes a biennial appropriation to an annual appropriation and therefore doubles the amount of money that is being diverted from the trust. Mr. Fitzpatrick disclosed the DNRC wants to pull another 6.1% from the trust which amounts to \$550,000.00 per biennium. He explained the DNRC already has two programs which are very well funded from the RITT interest.

Bob Williams, Montana Mining Association, expressed Mr. Fitzpatrick was speaking not just for Pegasus Gold Corporation but for the Mining Association.

Informational Testimony:

None

Questions From Committee Members and Responses:

REP. ECK asked Mr. Daeheing if he is attempting to make this a self-sufficient program. Mr. Daeheing stated MSU-Northern operates two instructional degree programs.

CHAIRMAN DEVLIN asked REP. ORR who is the loser in this bill. REP. ORR said \$700,000.00 is being diverted which doesn't go into the trust, putting the trust off from reaching the \$100 million for another year.

SEN. ECK asked REP. ORR if he would object if a four year sunset was put on the bill in order for all the RITT funds to be reviewed. REP. ORR said it isn't necessary because that issue will be addressed next session or by the year 2,000.

Closing by Sponsor:

REP. ORR said keep in mind there is no change to the Metalliferous Mine Tax. He stated what is being changed is the

allocation. He acknowledged money has been diverted from the trust, however, the director stated it has been ruled Constitutional because the money is being used for the things the trust was set up for.

HEARING ON HB 601

Opening Statement by Sponsor:

REP. ROGER SOMERVILLE, HD 78, Lakeside, stated the intent of this bill is to repeal a 1935 act which established the public contractor's license program. He said it is a worthless program. He explained there are no minimum qualifications presently. REP. SOMERVILLE voiced concern the program lets the public think there are standards and there are no standards or protection to the public.

Proponents' Testimony:

Christopher J. Racicot, Executive Director, Montana Building Industry Association, presented written testimony. EXHIBIT 32. Mr. Racicot submitted a summary of licensed programs. EXHIBIT 33.

W. James Kembel attested this is a worthless program. He urged support for this legislation.

Carl Schweitzer, Montana Contractors Association, proclaimed support for HB 601.

Steve Maloy, Chief of the Licensing Bureau, Department of Commerce, said the program was worthless because the program was never funded. He stated there was money collected but it was deposited into the General Fund. He declared there isn't a need for this program.

Char Maherg, Department of Revenue, presented an amendment. EXHIBIT 34.

Opponents' Testimony:

None

Informational Testimony:

None

Questions From Committee Members and Responses:

REP. FOSTER commented this has been in effect since 1935. He stated people knew this was a worthless program and nothing was done. He asked Mr. Maloy why he didn't tell the legislature many years ago to get rid of this program in order to save taxpayers some dollars. Mr. Maloy said up until the mid-80's it wasn't a

**MONTANA SENATE
1995 LEGISLATURE
TAXATION COMMITTEE**

ROLL CALL

DATE _____

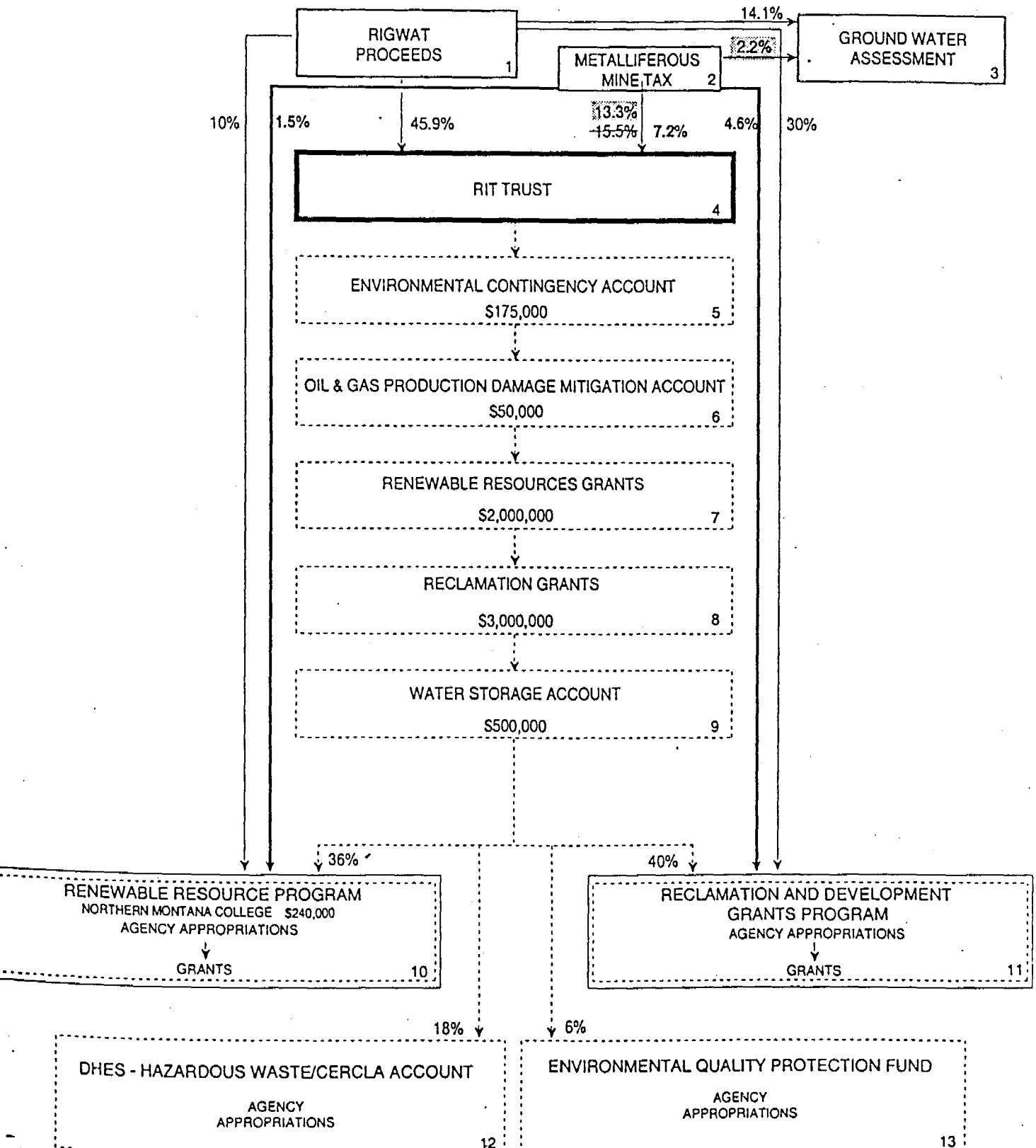
April 3, 1995

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ALLOCATION OF RIT PROCEEDS AND INTEREST

1997 Biennium



RIGWAT PROCEEDS, RIT TRUST INTEREST EARNINGS, AND EXPENDITURES
1997 Biennium

RIGWAT PROCEEDS PROJECTIONS	RIGWAT Proceeds	Metal Mine Tax Proceeds 15.5%	Deposits To RIT Trust	Trust Balance	Metal Mine Total
FY 95	\$2,979,674	\$797,469	\$2,463,107	\$91,776,719	5,630,968
FY 96	3,041,004	872,800	2,268,621	94,045,340	5,309,865
FY 97	3,030,203	823,029	2,213,892	96,259,232	

RIT TRUST INTEREST EARNINGS PROJECTIONS	FY96	FY97	TOTAL
	7,701,221	7,750,857	15,452,078

TOTAL 1997 BIENNIUM ALLOCATION OF RIT INTEREST EARNINGS	\$15,452,078
Environmental Contingency Account	\$175,000
Oil & Gas Production Damage Mitigation Account	50,000
Renewable Resource Grant & Loan Program	2,000,000
Reclamation & Development Grants	3,000,000
Water Storage Account	500,000
TOTAL BIENNIAL APPROPRIATIONS	5,725,000
AMOUNT AVAILABLE FOR FURTHER DISTRIBUTION	9,727,078

Distribution of Remaining Interest Earnings

Account	Renewable Resource	Reclamation & Development	Hazardous Waste/ CERCLA	Environmental Quality Protection	TOTAL
Percent Distribution of RITT Interest	36%	40%	18%	6%	100%

Beginning Balance	\$673,742	\$0	\$968,414	\$1,300,000	\$2,942,156
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Revenues					
RIT Interest	\$3,501,748	\$3,890,831	\$1,750,874	\$583,625	\$9,727,078
RIGWAT Proceeds	607,121	1,821,362			\$2,428,483
Debt Service Sweep (04011 and 04008)	919,444				919,444
RRD Loan Repayments	238,900				238,900
Interest (STIP)			80,000		80,000
Cost Recoveries				688,816	688,816
Administrative Fees	10,000				10,000
State Owned Project Revenue	919,290				919,290

Total Funds Available	\$6,870,245	\$5,712,193	\$2,799,288	\$2,572,441	\$17,954,167
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Appropriation						
Montana State University, Northern	240,000				240,000	SA
DNRC Centralized Services Division	875,245	154,001			1,029,246	A
DNRC Conservation and Resource Development	1,288,981	1,203,004			2,491,985	A
DNRC Water Resources Division	1,737,137	1,997,129			3,734,266	A
Reserved Water Rights Compact Commission	131,638	534,199			665,837	A
DNRC State Water Projects	2,190,000				2,190,000	A
DSL Reclamation Division		2,081,837			2,081,837	A
DSL Central Management		78,085			78,085	A
DHES Environmental Division			2,794,711	1,976,174	4,770,885	A
DHES Radon		50,000			50,000	A
Governor's Office -- Flathead Basin Commission	80,082				80,082	A
Water Court	1,038,389				1,038,389	A
NRIS - State Library	322,007	285,036			607,043	A
Environmental Quality Council		28,083			28,083	A
Pay Plan					0	

Total Appropriations	\$7,903,479	\$6,411,374	\$2,794,711	\$1,976,174	\$19,085,738
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Projected Biennium Ending Balance	(\$1,033,234)	(\$699,181)	\$4,577	\$596,267	
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Potential Allocation of Metal Mines Tax	\$169,583	\$508,749			
MSU/Northern - annual appropriation	(240,000)				
Lost Interest revenue	(16,006)	(17,784)	(8,003)	(2,668)	(\$44,460)
Projected Balance with Allocation of Metal Mine Tax	(\$1,119,657)	(\$208,217)	(\$3,426)	\$593,599	

Ending fund balance RRGL + RDG (1,732,415)
Ending fund balance with metal mine tax RRGL + RDG (1,327,873)
A - Appropriations reflect subcommittee action
SA - Statutory Appropriation

MINUTES

MONTANA SENATE
54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By CHAIRMAN GERRY DEVLIN, on April 4, 1995, at
8:00 a.m.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Mike Foster, Vice Chairman (R)
Sen. Mack Cole (R)
Sen. Delwyn Gage (R)
Sen. Lorents Grosfield (R)
Sen. John G. Harp (R)
Sen. Dorothy Eck (D)
Sen. Barry "Spook" Stang (D)
Sen. Fred R. Van Valkenburg (D)

Members Excused: None

Members Absent: None

Staff Present: Jeff Martin, Legislative Council
Renée Podell, Committee Secretary

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing:
Executive Action: HB 561, HB 293, HB 589, HB 601
(Discussion: HB 565, HB 569)

EXECUTIVE ACTION ON HB 565

Discussion: CHAIRMAN DEVLIN explained HB 565 bill deals with the average inventory taxation on livestock. He stated there will be no refunds as outlined in Line 8 of Page 5. He remarked it would be good to have a mechanism by which each county could pro rate it.

SEN. MACK COLE asked if this will affect feed lot people who have cattle in for part of the year. CHAIRMAN DEVLIN said they will still pay the per capita fee.

SEN. DELWYN GAGE said new Section 3 does provide for a pro rate in regard to the average inventory. CHAIRMAN DEVLIN commented this section deals with per month paperwork.

this particular Elks Club was hit and they have been fighting with the DOR ever since. He acknowledged now the DOR says they are neutral on this bill because of the magnitude of the dollars involved. He encouraged help for the Elks Club.

SEN. ECK said every other Elks Club which serves alcohol pays taxes. She asked if there is a good reason why this particular Elks Club shouldn't pay a tax.

SEN. FOSTER stated he asked the question to the Elks Club. He acknowledged a non-profit organization pays taxes. He explained this particular Elks Club disclosed they didn't pay taxes in the past.

SEN. COLE asked SEN. FOSTER if this bill is opening up a big hole especially with ski resorts. SEN. FOSTER said the ski resorts aren't in this yet due to the DOR reviewing the issue. He stated he can't say if it opens up a hole, however, he is concerned with it.

SEN. GAGE said there isn't a lot of Elks Clubs or other organizations who occupy a building owned by a public entity.

Motion/Vote: SEN. HARP MADE A SUBSTITUTE MOTION TO TABLE HB 589. MOTION CARRIED 5 - 2 WITH SEN. FOSTER AND SEN. VAN VALKENBURG VOTING IN OPPOSITION TO THE MOTION.

EXECUTIVE ACTION ON HB 569

Discussion: SEN. FOSTER commented he would like to review the amendments and the bill itself.

SEN. GROSFIELD said SB 746 has been signed by the Governor and he didn't think the committee could amend a bill that has been signed by the Governor. Mr. Martin said one section would be codified with the rate that is contained in HB 569.

EXECUTIVE ACTION ON HB 601

Discussion: CHAIRMAN DEVLIN stated this bill has a fiscal bang to it.

SEN. HARP commented it has a \$¼ million bang.

CHAIRMAN DEVLIN stated this is a license tax and goes to the General Fund.

Motion/Vote: SEN. ECK MOVED THE TECHNICAL AMENDMENT ON PAGE 3, LINE 2 MAKING IT CONSISTENT WITH THE REST OF THE BILL. MOTION CARRIED UNANIMOUSLY.

Motion: SEN. FOSTER MOVED HB 601 BE CONCURRED IN AS AMENDED.

MINUTES

MONTANA SENATE
54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By CHAIRMAN GERRY DEVLIN, on April 6, 1995, at
8:00 a.m.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Mike Foster, Vice Chairman (R)
Sen. Mack Cole (R)
Sen. Delwyn Gage (R)
Sen. Lorents Grosfield (R)
Sen. John G. Harp (R)
Sen. Dorothy Eck (D)
Sen. Barry "Spook" Stang (D)
Sen. Fred R. Van Valkenburg (D)

Members Excused: None

Members Absent: None

Staff Present: Jeff Martin, Legislative Council
Renée Podell, Committee Secretary

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing:
Executive Action: HB 569, HB 389, HB 449

EXECUTIVE ACTION ON HB 569

Motion: SEN. MIKE FOSTER MOVED AMENDMENTS TO HB 569
(hb056902.ajm).

Discussion: SEN. MACK COLE asked Mr. Fitzpatrick what was the
dollar amount per year which would go to Northern University.
Mr. Fitzpatrick responded the bill with the amendments will leave
Northern University with \$240,000.00 per year.

Vote: MOTION CARRIED UNANIMOUSLY.

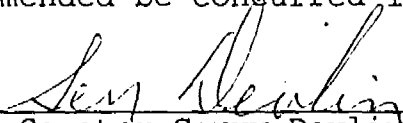
Motion/Vote: SEN. COLE MOVED HB 569 BE CONCURRED IN AS AMENDED.
MOTION CARRIED UNANIMOUSLY.

SENATE STANDING COMMITTEE REPORT

Page 1 of 2
April 6, 1995

MR. PRESIDENT:

We, your committee on Taxation having had under consideration HB 569 (third reading copy -- blue), respectfully report that HB 569 be amended as follows and as so amended be concurred in.

Signed: 
Senator Gerry Devlin, Chair

That such amendments read:

1. Title, line 9.

Strike: "48"

Insert: "46"

2. Page 1, line 22.

Strike: "7.2%"

Insert: "8.5%"

3. Page 1, lines 25 and 26.

Strike: subsection (e) in its entirety

Renumber: subsequent subsections

4. Page 1, line 27.

Strike: "4.6%"

Insert: "4.8%"

5. Page 2, line 6.

Strike: "(1)(G)(I)"

Insert: "(1)(f)(i)"

6. Page 2, lines 15, 18, and 19.

Strike: "(1)(G)"

Insert: "(1)(f)"

7. Page 6, line 5.

Following: "and"

Insert: "and"

8. Page 6, lines 6 and 7.

Following: "15-38-106(2)(b)"

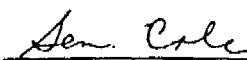
Strike: remainder of line 6 through "15-37-117(1)(d)(1)(E)" on line 7

9. Page 7, line 6.

Strike: "(1)(F)"

Insert: "(1)(e)"


Amd. Coord.
Sec. of Senate


Senator Carrying Bill

791019SC.SPV

10. Page 7, line 16.

Strike: "(1)(G)"

Insert: "(1)(f)"

11. Page 8, lines 15 and 25.

Strike: "(1)(G)"

Insert: "(1)(f)"

12. Page 9.

Following: line 3

Insert: "NEW SECTION. Section 8. Coordination instruction. If
Senate Bill No. 46 and [this act] are both passed and
approved, then the amendment to 15-37-117(1)(c) contained in
Senate Bill No. 46, relating to the percentage allocation to
the resource indemnity trust fund, is void."

Renumber: subsequent section

-END-